

Health Savings Accounts (HSAs)

Health Savings Accounts are for individual employees, under the age of 65, in a high deductible health plan. The plan’s deductible and out of pocket expenses must be at least the following:

HSA Individual High Deductible Health Plan (HDHP) Requirements		
	For 2019	For 2020
Minimum Deductible	Individual: \$1,350 Family: \$2,700	Individual: \$1,400 Family: \$2,800
Maximum Contribution	Individual: \$3,500 Family: \$7,000	Individual: \$3,550 Family: \$7,100
Age 55 to 65 Catch-Up Contribution	\$1,000	\$1,000
Maximum Out-of-Pocket Expenses	Individual: \$6,750 Family: \$13,500	Individual: \$6,900 Family: \$13,800

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Reporting Requirements on W-2

Employer contributions, *including* employee salary reduction contributions through a cafeteria plan, are required to be reported in **Box 12** with **Code “W”** on the employee’s W-2. (To clarify, the amount in Box 12 is the employer contribution and employee contribution combined.)

Form W-2 Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

Department of the Treasury—Internal Revenue Service

The employee deduction codes and employer earnings codes contributions to the HSA appear in box 12 preceded by the code “W”.

Note: Employer contributions that are not excludable from income must also be reported in **Boxes 1,3,5,16, & 18** with taxes withheld reported in **Boxes 2,4,6,17,& 19**. Such amounts are also reported on Form 941 and Form 940.

Questions to ask before setting up your HSA Contributions

To be an eligible individual and qualify for an HSA, employees must meet the following requirements.

- They must be covered under a high deductible health plan (HDHP), on the first day of the month.
- They (and their spouse, if they have family coverage) generally cannot have any other health coverage that is not an HDHP. However, they may still be an eligible individual even if their spouse has non-HDHP coverage provided they are not covered by that plan. Check www.irs.gov to see additional information.
- They are not enrolled in Medicare.
- If a person is being paid by non-taxable earnings the HSA cannot be deducted from the earnings. (i.e., Independent Contractors)
- They cannot be claimed as a dependent on someone else’s tax return.

<p>HSA Employee Contribution</p> <p>(Box 12/ Code W on W-2) F=Family SO=Single</p>	<p>1. Is <u>pre-tax</u> deduction direct deposited? If YES: Use Deduction Code HSA125CADF, HSA125CADS If NO: Use Deduction Code HSA125CAF, HSA125CASO If your employer requests EDI reporting, use the EDI pretax deduction codes.</p> <p>2. Is <u>after-tax</u> deduction direct deposited? If <u>Yes</u>: Use Deduction Code HSADedDDF, HSADedDDSO If <u>NO</u>: Use Deduction Code HSADedF, HSADedSO</p>
<p>HSA Employer Contribution</p> <p>(Box 12/ Code W on W-2) F=Family SO=Single</p>	<p>1. Has the contribution already been paid? If <u>YES</u>: Use Earnings Code HEASVPpdF, HeaSVPpdSO If <u>NO</u>: Use Earnings Code HeaSavF, HeaSavSO Note: The amount will be added to the employee’s net pay.</p> <p>2. Calculate 401K on the HSA? If <u>YES</u>: Use the above Earnings Codes If <u>NO</u>: Use Earnings Code HeaSvNoKNF, HeaSvNoKSO</p> <p>3. If the employer wants amounts direct deposited</p> <ol style="list-style-type: none"> Use the Non Prepaid earnings code HeaSvNoKF, HeaSvNoKNSO (use the HSAERDD deduction code for the employers contribution to be direct deposited) Enter the Earnings Code amount to match the HSAERDD deduction code amount

Setup

Follow these steps to work with HSA deduction codes:

Employee Contributions

- Step 1: Add the HSA Deduction to your Company.
- Step 2: Add the HSA Deduction to an Employee’s Profile.

Employer Contributions

- Step 3: Set Up an Employer’s Contribution for an Employee’s HSA.
- Step 4: Add the Employer Contribution to the Employee’s Profile.

HSA Exceptions

Employee Contributions

The employee sets an annual dollar amount and then the deduction amount is calculated by pay period. The employee can also elect to have the amount direct deposited into their HSA account.

Note: HSA-designated deduction codes are used to deduct employees’ HSAs contributions from their pay and to optionally have the funds direct deposited into their HSA accounts.

Pretax Deductions: In order for an HSA to be a pretax deduction it must be offered through a 125 cafeteria plan. The HSA125 deduction codes are set up on the global deductions list. Select the appropriate one based on whether the employee wants the contribution direct deposited into their HSA account:

Deduction Code (add F = Family, SO = Single)	Description	Tax Category	Tax Exceptions Effect on Employee	W-2 Reporting
HSA125CAF or HSA125CASO	Health Savings Acct-Pretax	Pre Tax	Non Taxable	Box 12 Code W
HSA125CADF or HSA125CADS	Health Sav Acct-Pretax w/ DirDep	Pre Tax	Non Taxable with direct deposit to HSA account	Box 12 Code W
HSADed	Health Savings Acct-After tax	After Tax	Non Taxable	Box 12 Code W
HSADedDD	Health Sav Acct-After tax w/ DirDep	After Tax	Non Taxable with direct deposit to HSA account	Box 12 Code W

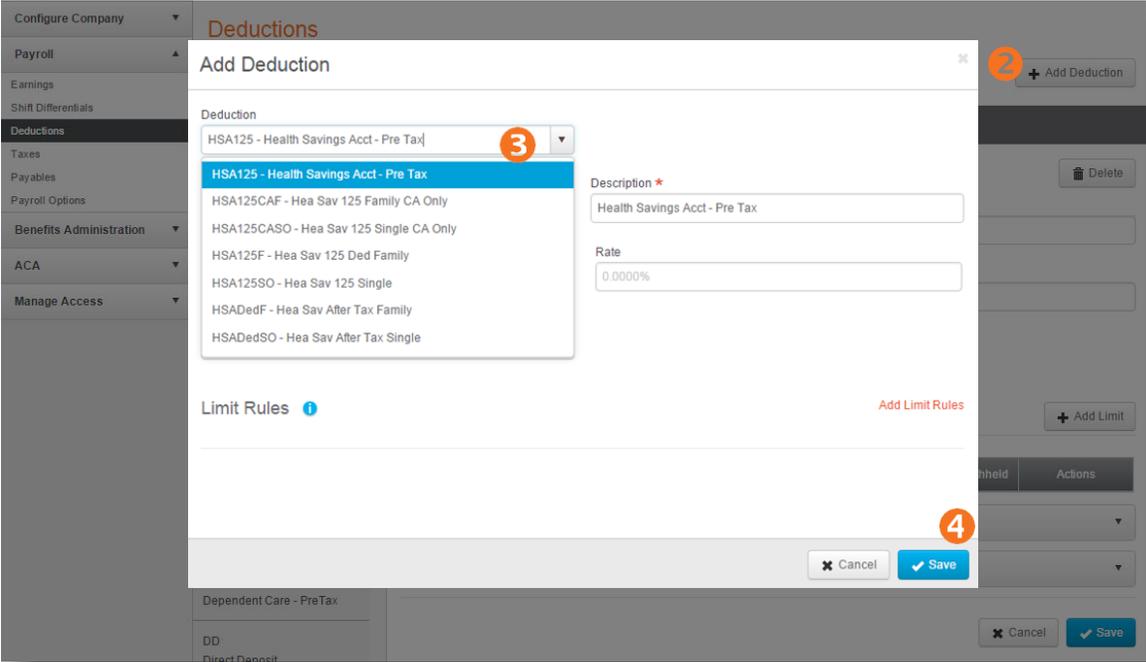
Step 1: Add the HSA Deduction to your Company.

You will need to set up a Deduction on the Client Profile:

- 1 In the Configure Company area, select **Deductions** under the Payroll menu.
- 2 Click .
- 3 Locate the correct code from the dropdown. You may type in the field to filter the results.

Note: The user will be able to select a new code name and description for the deduction code in the next steps. However, it is important to select a template with the correct *type* in order for the deduction to calculate correctly. If unsure which type to choose, contact your consultant.

- 4 Once selected, you may view and edit the settings.
Click .



The screenshot shows the 'Add Deduction' form in the PERFORM system. The form is titled 'Add Deduction' and is part of the 'Deductions' section under 'Configure Company'. The 'Deduction' dropdown menu is open, showing a list of options including 'HSA125 - Health Savings Acct - Pre Tax', which is highlighted. The 'Description' field contains 'Health Savings Acct - Pre Tax' and the 'Rate' field contains '0.0000%'. The 'Limit Rules' section is empty. The form has 'Cancel' and 'Save' buttons at the bottom right. Red callout boxes with numbers 1, 2, 3, and 4 point to the 'Deductions' menu item, the '+ Add Deduction' button, the dropdown menu, and the 'Save' button respectively.

Step 2: Add the HSA Deduction to an Employee's Profile.

Follow these steps to do this task:

- 1 In the **Manage Employees** area, click on an employee's name.
- 2 Using the left navigation menu, open **Compensation**. Then click on **Deductions**.
- 3 Click the **+ Add Deduction** button.
- 4 On the Add Deduction screen, select the necessary **HSA Plan** and click **Next**.

Note: In order for the system to track annual contribution limits across employee and employer contribution codes they must match. Example:

Employee Contribution Code: **HSA125CAF**

- Employer Contribution Code: HeaSavF

- 5 Enter the **Withholding Amount** the employee is to contribute per pay. Click **Complete**.

Note: **Reporting:** HSA125 Plan contributions for both the employer and employee (combined) automatically print in **Box 12 Code W** on the employee's W-2 form.

The screenshot displays the 'Deductions' management interface. On the left, a navigation menu shows 'Deductions' selected. The main area shows a table of deductions for employee Doug Aaron, with a '+ Add Deduction' button in the top right. A modal window titled 'Add Deduction' is open, showing the 'Selected Deductions' list with 'HSA125 - Health Savings Act - Pre Tax' selected. The modal is open to the 'Details' tab, where the 'Withholding Amount' is set to \$0.0000 and the 'Withholding Rate' is 0.0000%. An orange arrow points to the 'Withholding Amount' field.

After-Tax Deductions: If the employee’s HSA contribution is an *after-tax* deduction, follow the steps on the previous page except select the deduction code and then rename the code to represent the name of your plan.

Deduction Code (add F = Family, SO = Single)	Description	Tax Category	Tax Exceptions Effect on Employee	W-2 Reporting
HSADed	Hea Sav After Tax	After Tax	Taxable	Does not appear on W2 Box 12, will Appear in Box 14 if “Appear on W2 Box 14 field is Yes”
HSADeDD	Health Sav Acct- DirDep	After Tax	Taxable with direct deposit to HSA account	Does not appear on W2 Box 12, will Appear in Box 14 if “Appear on W2 Box 14 field is Yes”

The screenshot shows the 'Deductions' configuration page. On the left is a navigation menu with categories like 'Deductions', 'Taxes', 'Payables', etc. The main area is titled 'Deductions' and shows a list of codes including 'DedHealth - Deduction - Health'. The configuration form for 'DedHealth - Deduction - Health' includes fields for Code, Description, Amount, Factor, Frequency, and Limits. Under 'Advanced Settings', there is a field 'Appear on W2 Box 14' which is highlighted with an orange box and set to 'Yes'.

Note: Reporting: If you want your after-tax Health Plan contributions to print on the employee’s W-2 form, click **Yes** in the **Appear on W2 Box 14** field.

Employer Contributions

Employers can elect to contribute to employees' HSAs. The employer is to be consistent with the contributions make to employees' accounts due to discrimination laws.

If you are going to contribute to your employee's HSAs, you will need to set up an Earning Code for the contributions. Below are commonly used HSA ER earnings codes:

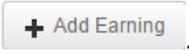
Earning Code (add F = Family, SO = Single)	Description	Use When...
HeaSav	Health Sav Acct ER Prov-Notppd	The contribution amount is not prepaid and will be added to the employee's net pay. The employee is responsible for depositing into their HSA. For all non-prepaid HSA codes, the HSAERDD deduction must also be configured on the client and employee level.
HeaSvPpd	Health Sav Acct ER Prov-Ppd	The contribution amount is prepaid. The employer is responsible for depositing into the employee's HSA.
HeSvNoKN	Hea Sav Acct Er Prov Nok-Nppd	The 401k calculated on total gross minus HSA amount. The contribution amount is not prepaid and will be added to the employees' net pay. For all non-prepaid HSA codes, the HSAERDD deduction must also be configured on the client and employee level.
HeaSvNoK	Hea Sav Acct Er Prov Nok-Pp	The 401k is calculated on total gross minus HSA amount. The employee is responsible for depositing into their HSA.

Note: For **all non-prepaid HSA Earnings Codes** (Employer Contribution to an Employee's HSA, to be paid via direct deposit) you must also set up the **HSAERDD** deduction code on the Client Level and on the employee. This will allow for the direct deposit to be reported correctly on the employee's paystub and reports.

Step 3: Set Up an Employer's Contribution for an Employee's HSA.

You will need to set up a Earning on the Client Profile:

1 In the Configure Company area, select **Earnings** under the Payroll menu.

2 Click .

Note: In order for the system to track annual contribution limits across employee and employer contribution codes they must match. Example:

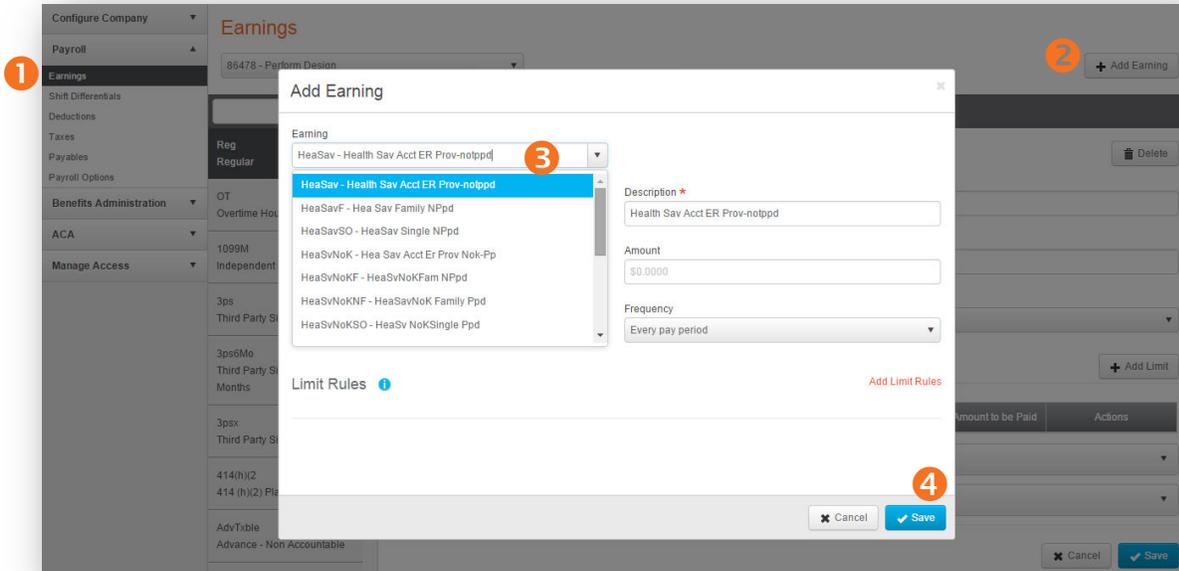
- Employee Contribution Code: HSA125F
- Employer Contribution Code: HeaSavF

3 Locate the correct code from the dropdown. You may type in the field to filter the results.

Note: The user will be able to select a new code name and description for the earning code in the next steps. However, it is important to select an earning code with the correct Tax Category (Regular Earning, Non Taxable Earning, etc.). If unsure which Tax Category to choose, contact your consultant.

4 Once selected, you may view and edit the settings.

Click .



Note: **Reporting:** HSA125 Plan contributions for both the employer and employee (combined) automatically print in **Box 12 Code W** on the employee's W-2 form.

Step 4: Add the Employer's Contribution to an Employee's Profile.

Note: For **all non-prepaid HSA Earnings Codes** (Employer Contribution to an Employee's HSA, to be paid via direct deposit) you must also set up the **HSAERDD** deduction code on the Client Level and on the employee.

Follow these steps to do this task:

- 1 In the **Manage Employees** area of Paycor Perform, click on the employee's name.
- 2 Using the left navigation menu, click **Compensation**, then **Earnings**.
Any current earning codes will display.
- 3 Click **+ Add Earning**.
- 4 On the Add Earning screen, select the necessary **HSA Plan** and click **Next**.

Note: In order for the system to track annual contribution limits across employee and employer contribution codes they must match. Example:

- Employee Contribution Code: HSA125F
- Employer Contribution Code: HeaSavF

- 5 Enter the **Amount** the employer is to contributing per pay. Click **Complete**.

The screenshot displays the Paycor Perform interface for adding an earning to an employee's profile. The employee's name is Doug Aaron. The left navigation menu shows 'Earnings' selected. The main 'Earnings' section shows a table with columns for Effective Date, Amount, and Rate. The 'Add Earning' modal window is open, showing the 'HeaSav' earning code selected. The 'Amount' field is set to 0.0000. The 'Next' button is highlighted with a blue circle and arrow.

Health Savings Account Exceptions

①	SCorps – Owners are not eligible for pretax HSA contributions. If an owner contributes to an HSA, use the S-Corp Earnings code and rename as SCorp HSA. Select “Appear on W-2” if you wish the contribution to print on the W-2 in Box14 (since it is an after-tax contribution).
②	Owners and family members of a Partnership are not able to contribute to a pretax HSA.
③	Some state unemployment and local withholding taxes do not exempt the contributions.
④	Employer contributions to an HSA are not exempt from the state of Maine income tax withholding.
⑤	Employer and Employee contributions under a 125 cafeteria plan are not exempt from California income tax withholding.